

Message Text

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TO USDEL MTN GENEVA IMMEDIATE

INFO AMEMBASSY BRUSSELS IMMEDIATE

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BRUSSELS FOR AMBASSADOR DENT

E.O. 11652:

TAGS: ETRD,MTN

SUBJECT:U.S. POSITION FOR MTN GRAINS SUBGROUP:OCTOBER 20
PROBLEM

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1. AT ITS JUNE MEETING THE SUBGROUP CONSIDERED PROPOSALS
BY THE EC, THE U.S., AND VARIOUS DEVELOPING COUNTRIES WHICH
MIGHT PROVIDE THE BASIS FOR FURTHER WORK IN THE SUBGROUP.
ALTHOUGH NOT SUBMITTED IN WRITING, THE EC IN EFFECT PRO-

POSED THAT THE SUBGROUP AGREE TO BEGIN NEGOTIATIONS ON A COMPREHENSIVE COMMODITY AGREEMENT THAT WOULD ADDRESS THE THREE INTERRELATED TOPICS OF STABILIZATION, LIBERALIZATION, AND LDC CONCERNS. THE U.S. PROPOSED A WORK PROGRAM WHICH WOULD PERMIT EACH ELEMENT AFFECTING TRADE IN GRAINS TO BE DISCUSSED INDIVIDUALLY AND AN APPROPRIATE SOLUTION DEVELOPED. SEVERAL COUNTRIES JOINED THE U.S. IN QUESTIONING THE EC AS TO WHETHER ITS PROPOSAL REALLY WOULD LEAD TO LIBERALIZATION AS WELL AS STABILIZATION. VARIOUS DEVELOPING COUNTRIES EXPRESSED THEIR CONCERN THAT THE SUBGROUP BEGIN RIGHT AWAY TO DEFINE WAYS IN WHICH THEY COULD BE ACCORDED SPECIAL AND DIFFERENTIAL TREATMENT AS REGARDS TRADE IN GRAINS, INCLUDING CONCESSIONAL SALES AND FOOD AID. THE SUBGROUP COULD NOT AGREE TO UNDERTAKE FURTHER WORK ON THE BASIS OF ANY OF THESE PROPOSALS, AND THE OCTOBER MEETING WILL THEREFORE CONTINUE CONSIDERATION OF THESE AND ANY OTHER PROPOSALS THAT MAY BE SUBMITTED.

2. MAJOR U.S. OBJECTIVES ARE (A) TO RESPOND POSITIVELY TO THE DESIRE OF MOST OTHER COUNTRIES TO CONSIDER NEGOTIATING PROPOSALS FOR GRAINS BY SUBMITTING SUCH A PROPOSAL, FOCUSING ON TRADE LIBERALIZATION WITH THE PROVISION THAT WORK ON IT CANNOT BE UNDERTAKEN UNTIL THE PROCEDURAL DISPUTE IN GROUP AGRICULTURE IS RESOLVED; (B) TO JOIN WITH OTHER COUNTRIES BUT NOT TAKE THE LEAD IN BRINGING OUT THE WEAKNESSES OF THE EC PROPOSAL FOR A COMPREHENSIVE GRAINS AGREEMENT (LACK OF PROVISION FOR TRADE LIBERALIZATION OR FOR SIGNIFICANT LIMITATION OF EXPORT SUBSIDIES); AND (C) BY ACTIVE AND CONSTRUCTIVE PARTICIPATION IN THE SUBGROUP, MAINTAIN THE COMMITMENT OF OTHER COUNTRIES TO PARTICIPATE ACTIVELY IN THE IWC WORK ON FOOD RESERVES.

3. ADDITIONAL INSTRUCTIONS WILL BE PROVIDED IF NECESSARY TO TAKE ACCOUNT OF DISCUSSIONS WITH THE EC IN BRUSSELS ON RESOLVING THE IMPASSE IN GROUP AGRICULTURE.

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U.S. POSITION

1. THE DEL SHOULD TAKE AN EARLY INITIATIVE TO RECALL THE U.S. PROPOSAL FOR A WORK PROGRAM FOR THE SUBGROUP (MTN/GR/W/4).

2. IN PRESENTING ITS PROPOSAL IN JUNE TO THE GRAINS SUBGROUP, THE U.S. TOOK INTO ACCOUNT THE EARLY STAGE OF WORK IN OTHER GROUPS AND SUBGROUPS, AS WELL AS THE NEED TO DEVELOP, TO THE EXTENT POSSIBLE, A GREATER DEGREE OF CONSENSUS AMONG DELEGATIONS AS TO THE REAL NATURE AND ORIGINS OF PROBLEMS AFFLICTING WORLD GRAIN TRADE, AND TO THE ALTERNATIVES FOR DEALING WITH THOSE PROBLEMS. HOW-

EVER, IN VIEW OF CERTAIN OTHER COUNTRIES' PRESSING INTEREST IN UTILIZING THE SUBGROUP TO ANALYSE NEGOTIATING PROPOSALS, THE U.S. IS PREPARED TO SUBMIT SUCH A PROPOSAL AT THIS TIME.

3. THE DEL SHOULD RECALL THAT U.S. AGREEMENT TO A NEGOTIATING MANDATE FOR THE SUBGROUP WAS CONDITIONED ON OTHER ELEMENTS OF THE AGRICULTURE GROUP AGREEMENT (MTN/AG/1), AND NOTABLY ON PARA 2 WHICH INDICATES THE LINKAGE BETWEEN THE WORK OF THE AGRICULTURE GROUP AND ITS SUBGROUPS AND THE WORK OF THE TARIFF AND NONTARIFF MEASURES GROUPS. PROCEDURES ARE STILL BEING WORKED OUT IN GROUP AGRICULTURE WHICH WILL IMPLEMENT PARAGRAPH 2 OF THAT AGREEMENT. UNTIL THIS HAS BEEN ACCOMPLISHED THE U.S. IS NOT PREPARED TO BEGIN ACTIVE CONSIDERATION

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OF SOLUTIONS TO GRAIN TRADE PROBLEMS ON THE BASIS OF ANY NEGOTIATING PROPOSAL IN THE SUBGROUP. ONCE HAVING STATED THIS POSITION, THE U.S. DEL SHOULD NOT BE DRAWN INTO A DISCUSSION OF THE PROCEDURAL ISSUES NOW BEING DISCUSSED IN THE AGRICULTURE GROUP.

4. RECOGNIZING THAT ORGANIZATIONAL QUESTIONS, DISPUTES OVER A WORK PROGRAM, AND BROAD DIFFERENCES OF OUTLOOK CONCERNING THE FUTURE OF WORLD GRAINS TRADE HAVE PREOCCUPIED THE SUBGROUP, THE U.S. IS WILLING TO PUT ASIDE

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THESE UNRESOLVED QUESTIONS AND PROCEED TO THE STAGE OF IDENTIFYING THE SPECIFIC PRIORITY GRAIN TRADE PROBLEMS OF COUNTRIES, SO THAT CONCRETE SOLUTIONS COULD BE EXPLORED AS SOON AS THE PROCEDURAL ISSUES ARE RESOLVED.

-- THE U.S. PROPOSAL, THEREFORE, IS AS FOLLOWS:

-- (A) THE SUBGROUP WOULD AGREE THAT COUNTRIES HAVING DEFINITE NEGOTIATING INTERESTS IN GRAINS NOTIFY TO THE SECRETARIAT THOSE THAT ARE OF IMMEDIATE AND HIGHEST PRIORITY, HAVING A DIRECT BEARING ON THEIR TRADE INTERESTS. SUCH NOTIFICATION WOULD SPECIFY THE SPECIFIC PROBLEMS TO BE ADDRESSED, AND WOULD INCLUDE SUGGESTED SOLUTIONS IN TERMS AS CONCRETE AND SPECIFIC AS POSSIBLE. THESE NOTIFICATIONS COULD COMMENCE IMMEDIATELY.

-- (B) BASED ON THESE NOTIFICATIONS AND WHEN THE PROCEDURAL PROBLEMS ARE RESOLVED, THE SUBGROUP WOULD AGREE ON, AND TAKE UP ACCORDING TO AN AGREED SCHEDULE, THE PROBLEMS AND PROPOSALS THAT EMERGED FROM THIS EXERCISE. SUGGESTED SOLUTIONS WOULD BE EVALUATED BY THE SUBGROUP IN TERMS OF THEIR POSSIBLE CONTRIBUTION TO A MULTI-

LATERAL SOLUTION TO THE PROBLEM UNDER CONSIDERATION
RECOGNIZING, HOWEVER, THAT PROVISION FOR BILATERAL
DISCUSSIONS WILL ALSO CONTRIBUTE TO THE EVENTUAL DEVELOP-
MENT OF MULTILATERAL SOLUTIONS.

-- (C) THE NOTIFICATION PROCEDURE WOULD BE KEPT
OPEN AND ADDITIONAL PROBLEMS, INCLUDING THOSE ARISING
FROM ADDITIONAL NOTIFICATIONS, WOULD BE TAKEN UP AT A
LATER STAGE.

-- (D) AS PART OF THIS ACTIVITY, THE SUBGROUP AT
AN APPROPRIATE TIME WOULD ALSO CONSIDER MULTILATERAL
SOLUTIONS RELEVANT TO GRAINS UNDER CONSIDERATION IN OTHER
MTN GROUPS AND SUBGROUPS.

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-- (E) WITH RESPECT TO THE NEED FOR WORK ON A
BILATERAL BASIS, THE U.S. DEL SHOULD MAKE CLEAR THAT
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IF BILATERAL OR PLURILATERAL DISCUSSIONS APPEAR NECESSARY
TO ARRIVE AT SOLUTIONS TO CERTAIN PROBLEMS, CONSUL-
TATIONS AMONG THE COUNTRIES INVOLVED WOULD BE HELD UNDER
THE AUSPICES OF THE SUBGROUP.

5. SHOULD ANOTHER DELEGATION ALLEGE THAT THE PORTION OF
THE U.S. PROPOSAL PROVIDING FOR BILATERAL CONSULTATIONS
IS INADMISSABLE BECAUSE OTHE SUBGROUP IS CHARGED
ONLY WITH SEEKING MULTILATERAL SOLUTIONS, THE DEL
SHOULD RESPOND THAT WHILE THE SUBGROUP IS TO EXAMINE
THE POSSIBILITY OF MULTILATERAL SOLUTIONS, PARAGRAPH 4
OF THE MAY 8 AGREEMENT STATES THAT IT WILL DEAL WITH ALL
THE ELEMENTS RELEVANT TO TRADE IN GRAINS. CLEARLY SOME
ELEMENTS MAY NOT LEND THEMSELVES TO MULTILATERAL
SOLUTIONS. IN SUCH CASES IT WOULD STILL BE USEFUL FOR
THE SUBGROUP TO PERMIT BILATERAL WORK ON THESE ELEMENTS
FOR THOSE COUNTRIES WHICH HAVE INDICATED A DESIRE TO
HOLD BILATERAL AND PLURILATERAL DISCUSSIONS HAVING
RELEVANCE FOR AGRICULTURE PRIMARILY UNDER THE AUSPICES
OF THE AGRICULTURE GROUP AND/OR ITS SUBGROUPS. TO DENY
THIS POSSIBILITY, WOULD BE TO DENY COUNTRIES THE OPPORTUN-
ITY OF BILATERAL DISCUSSIONS OF ANY SORT WITH CERTAIN
COUNTRIES IN THE AREA OF GRAINS.

6. WITH SPECIFIC REFERENCE TO LDC CONCERNS, THE U.S.
SHOULD INDICATE THAT IT CONSIDERS THAT ITS PROPOSAL
WOULD AFFORD DEVELOPING COUNTRIES THE OPPORTUNITY TO
NOTIFY THOSE PROBLEMS AFFECTING TRADE IN GRAINS OF MOST
CONCERN TO THEM, AND THAT FOR ITS PART, THE U.S. WOULD BE
PREPARED TO GIVE PRIORITY ATTENTION TO THE PROBLEMS

SO SPECIFIED AS A STEP TOWARDS IMPLEMENTING PARA 5 OF THE TOKYO DECLARATION.

7. SHOULD THE U.S. BE QUESTIONED ON ITS ATTITUDE IN THE EVENT THAT ANOTHER COUNTRY NOTIFIED FOOD RESERVES AS A PRIORITY OBJECTIVE FOR CONSIDERATION BY THE SUB-GROUP, THE DEL SHOULD STATE THAT THE U.S. HAS ALREADY AGREED THAT WORK IN LONDON WOULD BE INTEGRATED INTO THE SUBGROUP'S ACTIVITIES WHEN WORK IN THE IWC HAS PROCEEDED FAR ENOUGH TO PERMIT THIS.

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8. IN ADDITION TO PRESENTING AND ANSWERING QUESTIONS ON THE U.S. PROPOSAL, THE DEL SHOULD JOIN OTHER DELEGATIONS (BUT NOT TAKE THE LEAD) IN QUESTIONING THE EC DEL ON ITS

PROPOSAL FOR A COMPREHENSIVE GRAINS AGREEMENT. IN PARTICULAR HE SHOULD UTILIZE THE MATERIAL IN THE DISCUSSION SECTION TO HIGHLIGHT THE WEAKNESSES OF THE PROPOSAL, BUT SHOULD AVOID TAKING ON THE EC IN A CONFRONTATIONAL WAY.

9. IF NECESSARY TO AVOID ANOTHER MEETING BEFORE PROCEDURAL ISSUES ARE RESOLVED, THE DEL SHOULD INDICATE THAT HE IS WITHOUT INSTRUCTION ON THIS POINT AND SUGGEST THAT A FUTURE MEETING DATE BE SET LATER AFTER CONSULTATION WITH DELEGATIONS.

-- DISCUSSION ON U.S. APPROACH

1. AFTER EVALUATING ALTERNATIVE APPROACHES TO THE PRESENT MEETING, THE U.S. DECIDED TO PROPOSE A NOTIFICATION PROCEDURE AS THE FIRST PHASE IN A STEP-BY-STEP APPROACH TO NEGOTIATING TRADE LIBERALIZATION IN GRAINS. A BASIC CONSIDERATION WAS THE DESIRABILITY OF HAVING ON THE TABLE A POSITIVE ALTERNATIVE TO THE EC NEGOTIATING FRAMEWORK OF A PRICE-ORIENTED COMMODITY AGREEMENT. IT IS BELIEVED THAT MANY COUNTRIES (THE EC AND JAPAN EXCEPTED) WILL FIND APPEALING AN IMMEDIATE OPPORTUNITY TO NOTIFY THEIR REQUESTS IN THE GRAINS AREA ON A COUNTRY-SPECIFIC, LINE ITEM BASIS.

2. WE WOULD ENVISION FOR EXAMPLE NOTIFYING THE EC'S VARIABLE LEVIES ON QUALITY AND INDUSTRIAL WHEAT AND SUGGEST THE SOLUTION THAT A LEVY-FREE QUOTA BE ESTABLISHED BY THE EC FOR THESE ITEMS. SIMILARLY, FOR OTHER SPECIFIC VARIABLE LEVY PROBLEMS IN THE EC MARKET, WE MIGHT SUGGEST SPECIFIC BILATERAL SOLUTIONS. HOWEVER, WE WOULD EXPECT THAT THE DISCUSSION IN THE SUBGROUP OF OUR OWN PLUS OTHER COUNTRIES' NOTIFICATIONS WOULD MAKE IT CLEAR THAT VARIABLE LEVIES POSED A MORE GENERAL KIND OF PROBLEM FOR WHICH A MULTILATERAL SOLUTION SHOULD BE

SOUGHT AS A MATTER OF HIGH PRIORITY.

3. APPLYING THIS SAME TECHNIQUE TO THE DISCUSSION OF
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SPECIFIC EXAMPLES OF OTHER KINDS OF TRADE RESTRICTIVE MEASURES, WE WOULD EXPECT THAT A LIST OF ALL THE ELEMENTS AFFECTING TRADE IN GRAINS WOULD EMERGE, AND THE INTEREST OF COUNTRIES IN NEGOTIATING REALISTIC SOLUTIONS WOULD ALSO BECOME CLEAR. WE BELIEVE IT IS PREFERABLE TO PERMIT THE CLASSES OF MEASURES NEEDING WORK TO EMERGE GRADUALLY IN THIS WAY, RATHER THAN HAVING THE U.S. SET FORTH ITS OWN VIEWS AS TO WHAT CATEGORIES REQUIRE ATTENTION, SINCE THIS APPROACH IS MORE LIKELY TO WIN BROAD ACCEPTANCE BY THE SUBGROUP.

--- TALKING POINTS CONCERNING PRICE-
ORIENTED COMMODITY AGREEMENTS IN GRAINS

1. IN THE JUNE MEETING OF THE SUBGROUP, THE DEL OUTLINED THE ADVANTAGES OF TRADE LIBERALIZATION AS AN APPROACH TO GRAINS NEGOTIATIONS. IN ESSENCE, HE POINTED OUT THAT ONLY BY ALLOWING MARKET FORCES TO OPERATE WITH REASONABLE FREEDOM CAN THE PRODUCTIVE POTENTIAL OF THE WORLD'S GRAIN ECONOMY DEVELOP ACCORDING TO AN EFFICIENT ALLOCATION OF RESOURCES AND IN A MANNER THAT WILL BEST BALANCE THE INTERESTS OF PRODUCERS AND CONSUMERS. PRICE-ORIENTED COMMODITY AGREEMENTS IN GRAINS ON THE OTHER HAND, TEND TO WORK IN THE OPPOSITE DIRECTION.

--THEY SET AN ARBITRARY LEVEL (OR RANGE) OF PRICES AND THEREBY FREEZE AN EXISTING ALLOCATION OF RESOURCES THAT PROTECTS HIGH COST PRODUCTION AND DENIES MARKET OPPORTUNITIES TO COMPETITIVE PRODUCERS;

--THEY LIMIT CONSUMPTION PARTICULARLY BY POORER SEGMENTS OF SOCIETY AND BY LDCS, IF THEY MAINTAIN PRICES AT HIGHER THAN LONG-RUN EQUILIBRIUM LEVELS;

-- THEY ARE DIFFICULT TO ADMINISTER AND HAVE A LONG HISTORY OF FAILURE.

2. OPERATIONAL PROBLEMS ARISING FROM COMMODITY AGREEMENTS IN GRAINS RAISE A NUMBER OF QUESTIONS:

HOW IS A REFERENCE PRICE OR A MARKET PRICE TO BE MEASURED? WHAT IS TO BE THE REFERENCE MARKET AND THE
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REFERENCE VARIETY, AND WHAT VARIETY, QUALITY, AND TRANSPORTATION COEFFICIENTS ARE TO BE USED? HOW WOULD STOCKS BE ACQUIRED AND MANAGED, AND WHEN WOULD THEY BE RELEASED? WHAT KIND OF INTERNATIONAL AUTHORITY, IF ANY, WOULD BE REQUIRED, AND HOW WOULD ITS DECISIONS BE MADE? MOST IMPORTANT, WHAT WOULD BE DONE WHEN SURPLUSES DID ACCUMULATE, AND WHAT KIND OF DISCIPLINE WOULD BE EXERTED TO ASSURE RESULTS?

3. THE HISTORY OF THE INTERNATIONAL GRAINS ARRANGEMENT NEGOTIATED DURING THE KENNEDY ROUND IS INSTRUCTIVE AS AN EXAMPLE OF THE PROBLEMS INVOLVED IN NEGOTIATING AND ADMINISTERING A COMMODITY AGREEMENT. THE NEGOTIATIONS TOOK PLACE DURING 1966 WHEN WORLD STOCKS WERE THE LOWEST THEY HAD BEEN FOR ABOUT TWENTY YEARS. BY THE TIME THE SENATE HAD RATIFIED THE AGREEMENT IN 1968, WHEAT WAS AGAIN IN SURPLUS AND THE MINIMUM PRICE ARRANGEMENTS WERE ALREADY OUT OF DATE. INDIA AND PAKISTAN HAD BEGUN TO TAKE LESS WHEAT FROM THE UNITED STATES AFTER LARGE SALES THERE HAD LED TO RELAXED ACREAGE CONTROLS IN THE U.S. THE DEMAND IN COMMUNIST COUNTRIES FOR WHEAT FROM CANADA AND AUSTRALIA SUDDENLY FELL OFF, AFTER FIRST OCCASIONING A GREAT EXPANSION IN PRODUCTION. IN FRANCE, AND ELSEWHERE, HIGH PRICE SUPPORTS AND A NEW SPURT IN TECHNOLOGY LED TO INCREASED PRODUCTION AND TO SURPLUSES.

4. THE IGA PRICE SCHEDULES HAD BEEN SET UP ON THE BASIS OF U.S. HARD RED WINTER NO.2 (ORDINARY) WHEAT F.O.B. GULF PORTS. THEN PRICES WERE DETERMINED FOR CANADIAN, AUSTRALIAN, AND OTHER WHEATS USING THE U.S. WHEAT AS A REFERENCE POINT. AS SURPLUSES PUT PRESSURE ON THE IGA MINIMUMS, IT BECAME CLEAR THAT THE CRITERIA ADJUSTING VARIETY AND QUALITY DIFFERENTIALS WERE NOT ADEQUATE AND THAT, IN FACT, U.S. WHEAT WAS BEING UNDERSOLD BY COMPETITIVE FOREIGN WHEATS DESPITE THE IGA. FURTHER, CANADIAN AND AUSTRALIAN PRICING OPERATIONS WERE DIFFICULT TO ANALYZE BECAUSE EXPORT SALES WERE MADE THROUGH MARKETING BOARDS AND REFLECTED RAIL AND OCEAN FREIGHT SUBSIDIES ABOUT WHICH INFORMATION IN THE UNITED STATES WAS SCARCE. MEANWHILE, IN ORDER TO OBSERVE THE IGA MINIMUM IN THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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FACE OF COMPETITIVE SALES AT LOWER PRICES, THE UNITED STATES IMPOSED AN INVERSE SUBSIDY ON WHEAT SALES WHICH AMOUNTED TO AN EXPORT TAX. THUS, EXPORTERS WERE ASSESSED THE DIFFERENCE BETWEEN THE \$1.73 PER BUSHEL IGA MINIMUM FOR HARD RED WHEAT AND THE ACTUAL OFFER PRICE, THIS MONEY GOING INTO A SPECIAL POOL ADMINISTERED BY THE DEPARTMENT OF AGRICULTURE.

5. THIS SITUATION COULD NOT CONTINUE. AFTER EFFORTS TO ARRIVE AT A NEGOTIATION SOLUTION FAILED, THE IGA BECAME A DEAD-LETTER IN 1969. THE AGREEMENT HAD NOT BEEN ABLE TO ENDURE WHEN SUPPLY CONDITIONS BECAME SIGNIFICANTLY DIFFERENT FROM WHAT THEY HAD BEEN WHEN THE AGREEMENT WAS NEGOTIATED.

6. IN GENERAL, WITH REGARD TO PRICE-BUFFER STOCK AGREEMENTS IN GRAINS, MAXIMUM PRICE LIMITATIONS CAN BE EFFECTIVE ONLY SO LONG AS STOCKS EXIST OR EXPORTING COUNTRIES ARE WILLING TO SUBSIDIZE EXPORTS AT THE EXPENSE OF DOMESTIC CONSUMERS. THE AVAILABILITY OF ADEQUATE STOCKS TO MEET SHORT SUPPLY CONDITIONS DEPENDS UPON FULL PRODUCTION BY EFFICIENT PRODUCERS WHICH IN TURN DEPENDS ON THEIR ABILITY TO SELL THEIR GRAIN IN WORLD MARKETS. THE GOAL OF STABILITY OF SUPPLY IS PROMOTED BY THE KINDS OF LIBERALIZATION MEASURES WHICH ENABLE EFFICIENT PRODUCERS TO COMPETE AND WHICH BRING ABOUT THE BEST USE OF AVAILABLE RESOURCES. NO EFFICIENT PRODUCING COUNTRY SHOULD HAVE TO CURTAIL PRODUCTION OR BUILD STOCKS WHILE FARMERS IN OTHER HIGH COST SUPPLYING COUNTRIES ARE BEING ENCOURAGED TO GROW AND SELL ON THE BASIS OF HIGH PRICE SUPPORTS AND HIGH LEVELS OF IMPORT PROTECTION.

--- U.S. QUESTIONS CONCERNING EC
--- GRAINS AGREEMENT PROPOSAL

THE FOLLOWING QUESTIONS AND REMARKS ARE DIRECTED TO THE EC DESCRIPTION OF ITS PROPOSED APPROACH CONTAINED IN MTN/GR/W/1. IN USING THIS MATERIAL THE DELEGATE MAY TAKE INTO ACCOUNT THE DISCUSSION OF THE EC PROPOSAL WHICH TOOK PLACE AT THE JUNEMEETING OF THE SUBGROUP AND THE LIMITED OFFICIAL USE
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QUESTIONS RAISED AT THAT TIME. HOWEVER, SINCE THAT DISCUSSION WAS NOT FORMALIZED AS PART OF THE WRITTEN RECORD OF THE SUBGROUP, AND SINCE THE QUESTIONS ASKED MAY NOT HAVE BEEN SUFFICIENTLY PROBING TO HIGHLIGHT THE WEAKNESSES OF THE EC APPROACH ADEQUATELY; THE DEL SHOULD NOT HESITATE TO GO OVER SOME OLD GROUND IN GREATER DEPTH.

- (A) CONCERNING "EXCHANGE OF INFORMATION" (P.3)

-- (1) A MUTUAL EXCHANGE OF INFORMATION ON "PRODUCT ION, CONSUMPTION, COMMERCIAL AND NON-COMMERCIAL EXCHANGES" REGARDING WHEAT IS CARRIED OUT UNDER THE INTERNATIONAL WHEAT COUNCIL. THE FAO HAS ALSO RECENTLY UPGRADED ITS INFORMATION-GATHERING SYSTEM REGARDING THE WORLD GRAIN SITUATION.

-- WOULD THE INFORMATION ACTIVITIES OF THE NEW "PERMANENT" BODY PROPOSED BY THE EC BE DIFFERENT THAN THOSE OF THE IWC? OF THE FAO? IN WHAT RESPECTS?

-- (B) CONCERNING "STABILIZATION OF MARKETS"(PP.4-5)

-- (1) THE EC HAS PROPOSED MINIMUM AND MAXIMUM PRICES THAT WOULD ESTABLISH A "REASONABLE" RANGE FOR MARKET PRICES. THE RANGE WOULD BE "SUFFICIENTLY WIDE" SO AS NOT TO IMPOSE A RIGID PRICE STRUCTURE ON THE WORLD MARKET.

-- APART FROM THE RANGE OF PRICES, WHICH WAS DISCUSSED IN JUNE, IT WOULD BE OF INTEREST TO HAVE AN INDICATION OF THE LEVEL AT WHICH THE EC WOULD PROPOSE STABILIZATION. WOULD THE MEAN (CENTER) OF THE RANGE BE AT, SAY \$2 PER BUSHEL? OR \$6 PER BUSHEL? WHAT WOULD

RELATIONSHIP OF THIS PRICE BE TO THE LEVEL OF EC TARGET PRICES?

--HOW WOULD LIMITATIONS ON THE USE OF EXPORT SUBSIDIES AND TAXES AT WIDELY-SEPARATED MINIMUM AND MAXIMIZED OFFICIAL USE LIMITED OFFICIAL USE

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MUM PRICES CONTRIBUTE TO IMPROVED MARKET ACCESS?

--COULD THE EC EXPLAIN ITS STATEMENT (P. 5) THAT THE PROPOSED MACHINERY WOULD HELP AVOID RECOURSE TO DRASTIC IMPORT OR EVEN EXPORT PROTECTION MEASURES? REGARDING IMPORT PROTECTION, COULD IT EXPLAIN HOW VARIABLE LEVIES, WHICH ARE GENERALLY CONSIDERED TO BE HIGHLY PROTECTIONIST WHEN THEY REACH LEVELS OF, SAY, 50-100 AD VALOREM EQUIVALENT, MIGHT BE LIMITED UNDER THE SYSTEM PROPOSED BY THE EC?

(C) CONCERNING STOCKS BUILD-UP (P.4)

IT IS STATED THAT IMPORTERS AND EXPORTERS WOULD BUILD AND MAINTAIN "SUCH VOLUME OF STOCKS AS WAS NECESSARY."

--ON PAGE 5, THE EC INDICATES THAT STOCKING AND DESTOCKING WOULD BE CARRIED OUT WHEN PRICES REACHED A CERTAIN RELATIONSHIP TO A PRE-DETERMINED RANGE.

--IS THIS PRE-DETERMINED RANGE THE SAME AS THE MAXIMUM/MINIMUM RANGE DISCUSSED IN PARA 1 ON P. 4?

--IF THIS RANGE IS NOT THE SAME, BUT IS WITHIN THE

MAXIMUM/MINIMUM RANGE AS SEEMS TO BE IMPLIED IN PARA 2,
P. 5, HOW WIDE WOULD THIS NARROWER PRICE BAND BE?

--WOULD OTHER ACTIONS IN ADDITION TO STOCKING AND
DESTOCKING BE TAKEN BY COUNTRIES WHEN PRICES SO INDICATED?
FOR EXAMPLE, WHAT OTHER MEASURES MIGHT BE TAKEN WHEN
STOCKS WERE ALREADY DEPLETED OR ALREADY AT THEIR MAXIMUM
LEVEL? KISSINGER

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